



Trade Facts

Office of the United States Trade Representative
Washington, DC 20508

www.ustr.gov

U.S. – Australia Free Trade Agreement Agriculture Provisions

General Trade Profile

In 2003, the United States exported nearly \$700 million of agricultural products to Australia. During the same period, the United States imported about \$2.1 billion of agricultural products from Australia. Although the gross agricultural trade balance favors Australia, on a per capita basis, Australian consumers purchase 4.5 dollars of U.S. products for every one dollar spent by American consumers on Australian products.

Key Elements of the Agreement

Multilateral Cooperation. Australia and the United States have agreed to work in the World Trade Organization (WTO) agriculture negotiations on improving market access, reducing, with a view to phasing out, all forms of agricultural export subsidies, and substantially reducing trade-distorting domestic support.

Because of U.S. concerns with the monopoly export controls of Australian state trading enterprises, Australia has committed to work with the United States in the WTO, as part of a comprehensive agreement on export competition, on disciplines that eliminate restrictions on the right to export.

Export Subsidies. The United States and Australia have agreed to not use agricultural export subsidies in each other's markets, unless the exporter believes that a third country is subsidizing its exports into that market. In such cases, special provisions apply.

Committee on Agriculture. The United States and Australia will establish a Committee on Agriculture, which will be responsible for reviewing the implementation and operation of the Agreement on food and agriculture issues.

Rules of Origin. The Agreement will contain product-specific rules of origin, similar to those contained in U.S. FTAs with Chile, Central American countries and Singapore.

Sanitary and Phytosanitary Measures. The parties agree to apply the science-based disciplines of the WTO Agreement on Sanitary and Phytosanitary (SPS) Measures. In addition, the Agreement establishes a new mechanism for scientific cooperation between U.S. and Australian authorities to resolve specific bilateral animal and plant health matters based on science with a view to facilitating trade. USDA's Animal and Plant Health Inspection Service and Biosecurity Australia will operate a standing technical working group, including trade agency representation, to engage at the earliest appropriate point in each country's regulatory process to cooperate in the development of science-based measures that affect trade between the two countries. See also the separate fact sheet on Sanitary and Phytosanitary Measures.

Australian Commitments on Market Access:

Australia will immediately eliminate all food and agricultural tariffs upon implementation of the Agreement. Currently, Australia maintains a tariff of 5 percent on ethanol, some fresh and processed

fruits and vegetables, soups, processed foods, some grains, oilseeds and other products. For some dairy products, Australia's tariff reaches 30 percent.

As a result of Australia's immediate elimination of tariffs, export opportunities exist for such U.S. food and agriculture products as: oilseeds and oilseed products; processed foods (e.g., food preparations, bakery products); fresh and processed fruits such as cherries, grapes, raisins, frozen strawberries, dried plums, tomatoes and fruit juices (e.g., cranberry and grapefruit juices); vegetables and nuts such as almonds, walnuts, olives, dried onions, potatoes and sweet corn; soups; and, distilled spirits. In addition, with resolution of sanitary matters, U.S. pork products will also benefit from immediate tariff elimination.

U.S. Commitments on Market Access:

The United States will provide preferential market access concessions according to specific schedules negotiated on a product-specific basis. Preferential tariff phase-outs will be immediate, 4 years, 10 years or 18 years. Except for avocados, beef, dairy and sugar, U.S. tariffs will be reduced in equal annual installments over the phase-out period. The United States will provide marginal preferential access for some of the dairy products currently covered by WTO tariff-rate quotas (TRQs) and no additional preferential market access for sugar and sugar-containing products under WTO TRQs.

The Agreement establishes preferential TRQs for avocados, beef, cotton, dairy, peanuts and tobacco, which means that for a specified quantity, that expands over the implementation period, the imported products receive a zero duty. Volumes imported over the specified amounts have higher tariffs. Except for dairy, the higher tariffs are gradually eliminated over 18 years.

Specific Products:

Beef. Australia has a zero duty on imported beef. In August 2003, Australia eliminated a sanitary measure requiring that imported beef be aged for 30 days.

The United States will create a TRQ on manufacturing-type beef starting at 15,000 metric tons (0.17 percent of 2003 domestic production) and reaching 70,000 metric tons in 18 years (0.8 percent of 2003 domestic production). The initial quota volume will not be provided until U.S. beef exports reach 2003 levels or until year 3 of the Agreement, whichever comes first. The over-quota tariff will be phased out after 18 years, with the tariff reduction beginning in year 9. For years 9 to 18 of the Agreement, a volume-based safeguard will be in place. Thereafter, a safeguard mechanism will continue to exist that will allow for the introduction of a tariff if indicator prices fall below a specified level. Australia has also committed to working with the United States to ensure that international organizations have science-based health standards related to BSE.

Cotton. Australia already has a zero tariff on imported cotton. The United States will create a preferential TRQ for 250 metric tons of cotton from Australia that expands by 3 percent a year. Over-quota tariffs will be phased out over 18 years in equal installments.

Dairy. Australia will eliminate immediately its remaining tariffs on cheese. The United States will create preferential TRQs on certain dairy products covered by WTO TRQs, and the in-quota tariff rates will be eliminated immediately on these preferential TRQs. The MFN rate on over-quota dairy products covered by WTO TRQs will not be reduced. The initial value for this additional TRQ access for these items is 0.2 percent of the value of U.S. dairy production in 2003. The preferential dairy TRQs will grow perpetually at rates differentiated by product, with lower growth (3 percent) for sensitive commodities directly related to the U.S. dairy price support program and higher growth (4, 5, and 6 percent) for the other commodities, some of which are not produced in significant amounts in the United States.

Ethanol. Australia's 5 percent tariff will be eliminated immediately on ethanol. The U.S. duty on ethanol from Australia will be phased out in 5 years; however, there is no change under the Agreement on the excise tax for ethanol.

Fruits, Vegetables, and Nuts. Australia has no tariff on many fruits and vegetables. It will eliminate immediately its 5 percent tariffs on the remaining fruits, vegetables and nuts, including almonds, grapes, strawberries, dried fruit, sweet corn, spinach, onions, raisins, orange juice, dried plums and potatoes.

U.S. tariffs on fruits, vegetables, and nuts from Australia will be phased out over periods ranging from immediate elimination up to 18 years, depending on the product.

Avocados. The United States will create a preferential TRQ for Australian avocados beginning in year two of the Agreement. Under this TRQ, the United States will eliminate the in-quota duty and establish an initial quantity of 1,500 metric tons for avocado trade in the January to September period and a quantity of 2,500 metric tons for the October to December period. The TRQs will grow 10 percent per year. The over-quota duty of 11.2 cents per kilogram will not change for 6 years, and then will decline in a back-loaded manner in years 7 to 18 of the Agreement. At this time, U.S. phytosanitary regulations prohibit entry of Australian avocados. However, the U.S. Department of Agriculture is conducting a plant health risk assessment to determine the import status of Australian avocados.

Safeguards. During the implementation period, the United States will institute price-based safeguards on dried onions and garlic; processed tomato products; canned asparagus; canned pears, apricots, peaches, and fruit mixtures; and orange and grape juices. For these products, the U.S. tariff increases once import prices for a specific shipment falls below specified levels. Specific triggers to activate the safeguards and duty increases are established in the agreement. Safeguards on these horticulture products will expire when tariff protection has been phased out.

Pork. Australia's tariff on pork is zero. In February 2004, Australia amended its sanitary requirements, which will allow U.S. processed pork and pork for processing entry into Australia. U.S. duty-free status for many pork tariff lines will be maintained, and tariffs that do exist on products from Australia will be phased-out over five years in equal annual cuts.

Processed Food. Australian tariffs of 4 to 5 percent will be eliminated immediately, including tariffs on highly traded items such as processed fruits and vegetables, chocolates, breakfast cereals, food preparations, bakery products and other U.S. priorities, such as nutritional products. U.S. tariffs on products from Australia will be phased out in time frames ranging from immediate elimination to 18 years, depending on the product.

Peanuts. Australia's 5 percent tariff on peanuts will be eliminated immediately. The United States will establish a preferential TRQ for 500 metric tons of peanuts from Australia at zero duty, with the in-quota quantity growing at 3 percent a year. Over-quota tariffs will be phased out over 18 years.

Distilled Spirits. Australia's tariff of 5 percent on certain distilled spirits will be eliminated immediately, including tariffs on highly traded items such as whisky, liqueurs and cordials. Imports of most types of alcohol from Australia are already duty-free and will remain so. Tariffs on certain types of rum will be phased out over 18 years.

Sugar. Australia's duty-free treatment for many sugar and sugar-containing products will be locked in, and tariffs on the remaining products will be reduced to zero immediately. No additional Australian access to the U.S. sugar market will be provided.

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Tobacco. Duty-free treatment of U.S. tobacco exports to Australia will be locked in. The United States will establish a preferential TRQ of 250 metric tons for tobacco at zero duty, with the in-quota quantity growing by 3 percent a year. Over-quota tariffs will be phased out over 18 years.

Vegetable oils. Australian tariffs will be eliminated immediately, including 5 percent tariffs on U.S. exports of soybean oil, canola oil, linseed oil, sunflower oil, safflower oil, corn oil, rapeseed oil, cottonseed oil, peanut oil and others. U.S. tariffs on most vegetable oils from Australia will be phased out in periods ranging from immediate elimination to 10 years. U.S. tariffs on soybean and peanuts oils will be phased out over 18 years.

Wheat. To address U.S. concerns about Australia's wheat export state trading enterprise, Australia commits to work in the WTO to develop disciplines eliminating state trading enterprises' monopoly export rights.

The United States will eliminate its tariff on wheat gluten over 18 years and its nominal tariffs on wheat immediately.

Wine. Australia is eliminating its tariffs immediately on U.S. wine. The United States will eliminate its wine tariffs using a harmonization formula. Under the harmonization formula, U.S. wine tariffs will be progressively reduced over 10 years to the lowest wine tariff level, before all U.S. wine tariffs are duty-free in year 11.

Wool. Many wool products from Australia already have duty-free status into the United States. For the remaining products, tariffs will be phased out over 4r to 10 years, depending on the product.

See Also:

Fact Sheet on Sanitary and Phytosanitary Measures